

Consumer Alert

Educating South Carolina's Consumers

A Publication of the South Carolina Task Force on Fraud

www.scconsumer.gov

February 2008

Volume 3, Issue 2

Think Twice! Avoid using refund anticipation loans for tax returns

How would you like to pay a super-high price to borrow money that already belongs to you? Sounds ridiculous, right? But that's pretty much what happens to many folks at tax time in the crazy world of refund anticipation loans (RALs).

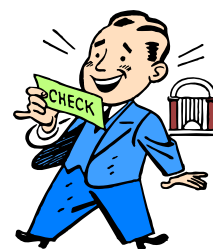
You may be tempted by tax-time advertisements for "Fast Cash Refunds," "Express Money," or "Instant Refunds." These ads will offer to deliver your refund in just a day or two, or even on the spot. Beware! Many of these "fast

refunds" are really LOANS, refund anticipation loans, that are based on your own tax refund money.

When you get an RAL, you're borrowing against your tax refund money and it's not cheap. Loan fees typically range from \$30 to \$90, which translates into an annual percentage rate of about 60% to over 700%. If you paid those rates on all your borrowing, you'd probably go broke!

RAL fees, combined with tax preparation, electronic filing, and

Just wait! RALs only get your money to you 7 to 14 days faster than e-filing.



other fees, can end up eating away a big chunk of your refund.

In addition to their high costs, RALs can be risky. Since an RAL is a loan from a bank in partnership

Continued on Page Two

What to do about gifts that stop giving

The holidays are over, and you're just now thinking about putting all those gift cards to use.

Good for you.

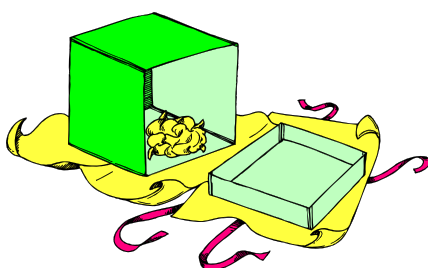
Unfortunately, some gift cards expire quickly either because we don't or can't use them.

Money that

expires...sure doesn't sound like much of a "gift."

So, what can you do before you're left with a card of expired money? Maybe you can understand the frustration of one guy who was left with a \$3500 credit to a jewelry store when his proposal and engagement ring were rejected.

Or maybe you're like the guy who received a gift card to Victoria's Secret. Probably a safe guess that he won't be using it anytime soon.



**Received an unwanted gift card?
You still have some options.**

Not to worry, though. Enough consumers have experienced the same frustrations and have initiated a number of websites that allow you to swap and sell unused gift cards. But like most good things, it doesn't come without a price. So, before you get too excited, don't forget this disclaimer: hidden fees.

Cardavenue, Swapagift, GiftCardBazaar, EBay and many other Web sites allow consumers to list gift cards online just like regular merchandise.

While they do ensure you get some return on your gift, they may not promise as much in return as you expect.

For example, some sites charge you to list the gift card. Others charge you a percentage of your total sale. Some charge a flat rate for

Continued on Page Three



Tax rebate scam rampant in S.C., expected to continue

Criminals are using the recently proposed economic stimulus package as a way to rob consumers.

The scam involves receiving an unsolicited phone call claiming to be from the federal government.

The caller claims your personal information is needed in order for you to automatically receive a federal tax rebate. The caller also requests your bank account number so the money can be directly deposited into your account.

This is a scam.

The South Carolina Department of Consumer Affairs warns consumers not to fall for this ploy that uses President George Bush's proposed economic stimulus package as a phishing platform to steal your money.

Continued on Page Four

CONTINUED from Page 1: Think Twice! Avoid using refund anticipation loans

with a tax preparer, it must be repaid even if the IRS denies or delays your refund or if your refund is smaller than expected. If you don't pay back the RAL, the lender

.....
Believe it!
The government will
not call you about
your rebate.
.....

can take actions to hurt your credit rating and may send your account to a debt collector.

In addition, when you apply

for an RAL, you are giving the lender the right to grab your tax refund to pay for old tax loan debts that the lender claims you owe.

All this just to get your tax refund a few days earlier than you can for free from the IRS.

Essentially you're lining someone else's pockets with YOUR hard-earned money.

Worse, RALs are often marketed to people who need money the most - low- and moderate-income workers who receive the Earned Income Tax Credit.

Ways to avoid RALs and save at tax time:

- E-File with Direct Deposit - File your tax return electronically (E-File) to speed up your refund. Tell the IRS to deposit the refund directly into your bank account. You provide your account number right on your tax return. You can get a refund in about 10 days this way - without paying one cent extra.

- Volunteer Income Tax Assistance (VITA) - VITA sites provide free tax preparation to low- and moderate-income taxpayers.

These sites are sponsored by the IRS and can be found in libraries,



How to file a complaint with the Department of Consumer Affairs

Do you have a complaint against a business? If so, you should first contact the business regarding the complaint and give them an opportunity to resolve it. If you are not satisfied, you may file a complaint with the Department by filing an electronic complaint form at www.scconsumer.gov/dcacf/dcapolicy.htm.

You may also receive a complaint form by calling the Department at 1.800.922.1594. You should include all contracts, receipts, warranties, guarantees, buyer's guide, advertisements and other support documents.

Four quick tips for filing your complaint form:

1. Fill out the form as completely as possible.
2. Identify the name and current mailing address of the company.
3. If applicable, include the account number you have with the business.
4. Give a brief, but accurate statement of your complaint and suggested resolution.

The Department strives to resolve all consumer complaints by determining the obligation of the business and advising consumers on the appropriate action. Our complaint analysts are experts on consumer rights and supervised by attorneys who provide legal guidance. Depending on the nature of the complaint, resolution will take varying lengths of time. Consumers can expect a timely response.

***NOTE:** The Department cannot intervene in cases where the consumer is represented by an attorney or if legal action has been taken. The Department cannot intervene in business-to-business or person-to-person complaints.

The Complaint Process:

Your complaint will be assigned to a complaint analyst to determine how the Department can assist you. If your complaint falls within the jurisdiction of another agency, state law requires that we forward your complaint to that agency and notify you.

Continued on Page Four

community centers, and other locations during tax time.

If you have Internet access, you may be able to get free tax preparation and electronic filing at www.icanefile.org.

- Wait just a bit longer - Do you really have to get cash from your tax refund today?

Can you wait a few weeks to save almost \$100? If you have an urgent bill to pay, ask for more time until the tax refund check comes from the IRS.

Don't take on a new expensive debt to pay an old bill.

- Avoid check cashers - Check cashers charge an extra fee to cash RAL and tax refund checks.

Some check cashers charge up to 7% to cash an RAL check - the average is about 3%.

If you receive a \$2,000 refund, it would cost you an average of \$60 to cash the RAL check on top of the RAL and tax preparation fees.

A smarter move is to use a bank account.

Don't let a reverse mortgage take all the money out of your home

Many consumers age 62 or older are finding themselves "house-rich but cash-poor," meaning their mortgage is paid off, but they are living on a fixed or limited income. In response, reverse mortgages are becoming increasingly popular alternatives for senior citizens who want their "home equity to work for them."



reverse mortgage you must be 62 or older and own your home.

There are three types of reverse mortgages – FHA-insured, lender-insured, and uninsured – each of which vary in costs and terms. Consult family members, an attorney or financial advisor to select the type that is best suited for you.

What to consider when choosing a reverse mortgage:

- Reverse mortgages are rising-debt loans, which means interest is added to the principal loan balance each month.

Paying "interest on interest" can compound quickly, devouring the equity in your home. Reverse mortgages can also be either fixed rate or adjustable, so it is important to understand what the rate is before committing.

- Reverse mortgages use up some or all the equity you have in your home, leaving fewer assets for you and your heirs.

- Your legal obligation to repay the loan is limited by the value of your home at the start of the loan.

This could include any appreciation in the value of your home over the duration of the loan. If your home were to increase in value, due to home improvements or an upturn in the market, you would not receive any financial benefit.

- Typically there are loan-origination fees, closing costs, and if insured, insurance premiums associated with reverse mortgages.

Again, since you are not making any regular payment on the loan, interest is accruing on all of these charges, and will strip the equity in your home without benefiting you financially.

A reverse mortgage is a loan in which the lender gives a lump sum, monthly advance, or line of credit based on the equity in your home. The homeowner retains the title to their home and typically does not have to pay back the loan as long as they live in their home.

However, the homeowner is responsible for maintenance and any applicable taxes. To qualify for a

"Late Nights" offers extended hours for more convenience



"Late Nights" allows consumers with especially busy schedules a few extra hours to reach Consumer Affairs. Office hours are extended from 5:30 p.m.

until 7:00 p.m. on the third Tuesday of every month.

The program is designed to give consumers the convenience of after-work hours.

Consumers are welcomed to call during the additional hours at 803.734.4200 or toll free in S.C. at 1.800.922.1594.

For more information about "Late Nights" please contact the Services Division at 803.734.4200.

CONTINUED from Page 1: What to do about gift...

every gift card sold. And those are just some of the fees.

One other consideration is how the site is set up. Some sites allow straight buying and selling according to the price set by the seller.

Other sites, however, allow the seller to place his gift card up for bidding in an auction setting.

These settings may allow a quicker sale, but do not guarantee the full retail value in return.

Gift card selling and swapping provides a convenient alternative

for consumers who are not going to use their "free money."

Rather than allowing their money to "expire," they can at least receive a partial return on their gift. Right now, "expired money" on gift cards goes back to the state in which the retailer is incorporated.

So, if you don't want the big companies seeing a bigger return on your unused gift card than you do, consider using one of these selling and swapping gift card sites.

But remember...hidden fees will likely strip you from enjoying the total value.



Money Tips: Ask for help

If you have a problem paying your debts, don't try to hide from them. Go and speak to your creditors, particularly your bank, to find a way out of your problem.

Many companies will work with you to set up a payment plan you can handle. In many cases waiting too late to ask for help may mean you're out of luck.

CONTINUED from Page 1: Tax rebate scam!

While President Bush's economic stimulus plan does call for one-time tax rebates of up to \$800 for individuals and \$1,600 for married couples, consumers should know the federal government will not be calling to find out what bank account to deposit the money or to verify any personal information.

Keep in mind...

- The White House proposal, however, is just that – a proposal – and is not yet official.
- Rebates have not been issued.
- An agency has not been commissioned to collect information so automatic deposits can be processed.
- Even when the tax relief proposal is passed, consumers will not be contacted and asked for sensitive information.

CONTINUED from Page 2: How to file a complaint...

After analyzing your complaint, the Department will contact the business in writing and request a response or resolution.

If the business does not respond after 30 days, you will be notified via mail. Please contact the Department if your complaint is resolved before you hear from us.

After a reply is received from the business, the analyst will compare the facts presented in your complaint and the facts given by the business.

We encourage your participation in negotiating an amicable solution.

If required, an analyst will take additional action to contact the business and solicit a response.

The business will also be placed on the Buyer Beware list if a response is not received. The complaint may also be sent to the Department's legal division.

- The IRS or Social Security Administration will not ask for your social security or bank account number. They already have that information.
- Any consumer being asked for personal or financial information in order to receive this additional rebate can assume it is a fraudulent call. Consumers may call the South Carolina Department of Consumer Affairs to report incidents of fraud.

If you have already fallen prey to this scheme and given out your bank account number over the phone, please call your bank immediately!

For more information, contact the Public Information Division at 803.734.4190, toll free in SC at 1.800.922.1594, or online at www.sconsumer.gov.

Got Questions???

Ask Consumer Affairs with online chatting

Think you have been a victim of a scam or just need general information about fraud protection?

Are you an athlete agent or pre-need burial provider in need of additional instructions about licensing? Or are you a business that has questions about the Buyer Beware list?



Then log on to *Ask Consumer Affairs*, an interactive forum that provides you with great consumer information.

Visit the South Carolina Department of Consumer Affairs website at sconsumer.gov and click on LIVE CHAT.

A communication specialist is there to assist you with any questions you may have Monday through Friday from 8:30 a.m. until 5:00 p.m.

About the South Carolina Department of Consumer Affairs

Established by the Consumer Protection Code in 1974, the South Carolina Department of Consumer Affairs represents the interest of South Carolina consumers. Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement, and education. For more information on the SCDCA, visit www.sconsumer.gov.

To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education.

The Department strives to be a **CREDIT** to our State by holding the following values as essential in our relationships and decision-making:

Competence **R**espect **E**quality **D**edication **I**ntegrity **T**imeliness

Consumer Alert is published every month. To receive the *Consumer Alert* or its sister publication *Fraud Alert* by e-mail or postal service contact Charles Ellison at ellison@dca.state.sc.us or by phone 803.734.4203.

The Commission on for SCDCA Consumer Affairs

Dr. Lonnie Randolph Jr., Chair, Columbia
The Honorable Mark Hammond, Secretary of State, Columbia
Barbara B. League, Greenville
Louis Mayrant Jr., Pineville
Rev. Tony Macomson, Cowpens
Wayne Keith Sims, Columbia
Wayne Powell, Gaffney
David Campbell, Columbia
Carole C. Wells, Woodruff

Brandolyn Thomas Pinkston, Administrator
Alice Brooks, Director of Public Information
Charles Ellison, Editor Consumer Alert